

Interview With WHO Radio in Cedar Rapids, Iowa  
March 30, 2005

*Social Security Reform*

*Jan Mickelson.* The President probably wants to get in on this conversation. [Laughter] It's an honor seeing you again, sir.

*The President.* How are you doing?

*Mr. Mickelson.* I'm doing great. You realize what a risk you've done, latching on to this Social Security thing? You put our number one Senator at grave risk. [Laughter] He had to burn his AARP card. [Laughter] Do you realize what a cheap buzzard that guy is? [Laughter]

*The President.* No, I remember the ads with the lawnmower. [Laughter]

*Mr. Mickelson.* Well, see, he can't use his AARP discount anywhere anymore. He had to burn that card.

*The President.* Well, you know, I appreciate the chairman. He's got some political courage, which is necessary to take on tough problems. It's pretty easy to ignore problems in politics. What's hard is to take on a tough problem. And both Senator Grassley and I have dedicated ourselves to taking on the tough problem of Social Security, and it is a problem.

*Mr. Mickelson.* I was also warned by the Secret Service to keep the microphone away from you in a diner situation—[laughter]—because you have a karaoke gland that breaks out into Alan Jackson songs at the drop of a hat. Try to restrain yourself this morning, sir. [Laughter]

*The President.* Thank you very much. If you've ever heard me sing, you know it's not an issue. [Laughter]

*Mr. Mickelson.* I think it was the minority leader, Harry Reid, said, "Social Security is a real crisis that exists only in one place, in the minds of Republicans." How would you respond to that?

*The President.* Well, I would say that there's been a lot of people who aren't Republicans who've looked at this issue and

have said the world has changed and is changing and that we have a problem for younger generations of Americans. The Social Security trust, for example—or the trustees came out with a report recently that said, "In 2017, the Social Security trust goes into the negative. In 2041, it is flat broke."

And the reason why is because baby boomers, like me and you, are getting ready to retire, and there's a lot of us, and we're living longer.

*Mr. Mickelson.* What have you heard? I mean, I wasn't planning on retiring. [Laughter]

*The President.* Well, this isn't forced retirement. [Laughter] You get to be retirement age whether you want to or not.

*Mr. Mickelson.* I'm still in denial about that.

*The President.* Well, I'm afraid we're headed there. But there's a lot of us, and we've been promised greater benefits, and there's fewer workers. So you've got more people getting greater benefits, living longer, and fewer people paying into the system. And it's just not going to work. And so I think one of the things that's happened, in this 60-day period that we set out to explain to the country we have a problem, is that people are now beginning to understand there is a problem.

And the second thing that people are beginning to figure out is that if you're 55 and over, you don't have anything to worry about; the Government is going to pay the promised benefits. And that's an important thing for people to understand. There's a lot of people in Iowa counting on their Social Security check, and they just need to hear the truth, and the truth is—

*Mr. Mickelson.* Five hundred and sixty-two thousand of us.

*The President.* That's a lot of you—not "us." You're not one yet.

*Mr. Mickelson.* Well, there's 562,000 Iowans that receive some kind of Social Security benefit, and 2 out of 5 Americans do.

*The President.* That's right, and that's why it's an important program. That's why it's important to reassure those who receive a check, nothing changes. The people who need to worry about this issue are the younger Americans. They're the ones who are going to have to pay enormous taxes or get enormous benefit cuts if this Government is not willing to respond now. And so, to answer the question of the skeptics, we do have a serious problem.

*Mr. Mickelson.* The red State division and blue State division affects this debate extremely importantly and efficiently. The Democrats are marketing their opposition to any kind of Social Security reform in the following way. I was up on their web site, and this is how they describe the nature of their opposition. And they have four different categories—they say women, blacks, Hispanics, and the disabled all receive a progressive return from Social Security. They get more than they pay in. In essence, they say, you'd be an idiot, therefore, to go along with any kind of reform, because they have it pretty good now, by comparison, paying a little in—or less in than other wage earners. So why should we vote for something that, in essence, we think might disenfranchise us?

*The President.* Well, again, nothing changes if you're 55 years and older. I mean, the progressivity in the system stays in the system. Plus, you can make the system progressive for your younger workers. But a younger worker, whether they live in a blue State or a red State, ought to be wondering whether or not the Congress has got the will necessary to fix this problem, because if we don't, the system starts going into the red, negative, in 2017.

Do you realize, in 2027, the cost just to make good on the promises is going

to be over \$200 billion a year? It gets worse every year from 2017 to 2041. And so there's a huge hole that can only be filled by dramatic benefit reductions and/or payroll increases. It's estimated that in order to fix the problem if we wait, it will—payroll taxes will have to get up to 18 percent. And that's unsatisfactory, as far as I'm concerned. And younger workers, blue State, red State, need to worry about this problem.

Now, older Americans do not. And I keep saying that, because I know there's some propaganda out there that says to older Americans, "You know, old Grassley and Bush are going to take away your check." Well, I've heard this before, every time I've run for office. Nothing changes. The Government will keep its promise for those of us over 55 years old. It's younger people. This is a generational issue, Jan, because many grandparents are now beginning to realize they're going to get their check, and they're starting to ask the question, "What about my grandchildren; what are you going to do about the grandchildren," because this is a serious problem.

*Mr. Mickelson.* I really appreciate the phrase you use, the "ownership society."

*The President.* Yes.

*Mr. Mickelson.* That really works. Now, how do we get the people who view themselves as recipients to see themselves as potential owners, so they don't feel threatened by a transformation of the system that you have in mind?

*The President.* Yes, well, first of all, you're referring to the personal savings account aspect of a solution. And the reason I believe it's important to encourage—or to allow younger workers, if they so choose, to set aside some of their own money in a personal savings account is threefold. One, they will get a better rate of return on their money than they're going to get if the Government holds it for them. In other words, in a conservative mix of bonds and stocks held over time, the rate of return on the money, the growth of the

money, the fact that it's going to be growing in a compounded way is going to be greater.

*Mr. Mickelson.* Even if they haven't paid in as much, initially, to push them into that progressive recipient category in which they now exist?

*The President.* Well, you can do both. First of all, it's more progressive, by the way, if you get a greater rate of return on your money than if you don't. But you can also make sure the benefits that end up being determined by Congress—in other words, the benefits that the Government can afford—they're progressive in nature as well.

But progressivity really depends upon how the benefit structure is decided by Congress. We've got some money for some benefits; we just don't have enough to pay the promises made to younger workers. And the best way to allow a younger worker to more approximate that which the Government has promised is to let them earn a better rate of return on their money.

Secondly, I like the idea of somebody owning something. I mean, there is kind of this mindset that only a certain investor class can manage their own money. I think that's a preposterous assumption. I think everybody ought to be encouraged to manage their own money.

And thirdly, we do this, Jan—this is a very important point—this isn't a novel idea. Federal workers get to do this in what's called—in the Federal employee program, retirement program. They get to take some of their own money and set it aside so they get a better rate of return than that which the Government can get for them. And Senator Grassley's employees get to do that; people working for the Agriculture Department get to do it. My attitude, if it's good enough for Federal employees, it ought to be good enough for younger workers.

*Mr. Mickelson.* Federal Reserve Chairman Alan Greenspan keeps using another

very powerful word describing much of our social safety net, "unsustainable."

*The President.* Yes.

*Mr. Mickelson.* We can't do it. Demographically, as you mentioned earlier, we aren't reproducing ourselves.

*The President.* Right.

#### *Medicare/Healthcare Savings Accounts*

*Mr. Mickelson.* The same logic that you applied aptly to Social Security also applies to our medical delivery system.

*The President.* That's right.

*Mr. Mickelson.* Can we also move to the ownership concept in that, in medical IRAs, and make those universal, maybe using medical IRA vouchers? And how about using the earned-income tax that lower income people get and empower a savings account, so they get an ownership concept using their money in that regard?

*The President.* That's a very good point. As a matter of fact, the Senator and I worked on Medicare reform. We wanted the current system to work better for those people who are going to get—that are on Medicare. We wanted—for example, I think there's a lot of benefit to have a prescription drug plan available in Medicare because a lot of people will be able to avoid major surgery by taking prescription drugs. In other words, Medicare would pay for heart surgery but not a dime for the prescription drugs that might prevent the heart surgery from being needed in the first place. So we modernized Medicare and, by the way, took care of rural hospitals in Iowa as we did so.

Secondly, though, in that bill is the notion of health savings accounts, which provides an IRA-type approach, as you mentioned, to encourage people to set aside money on a tax-free basis so they get to make the decisions for their own health care—in other words, own their own health care plan. And it's a great idea that is now beginning to take hold with a lot of small businesses and a lot of employees for small businesses.

Thirdly, I've consistently proposed, Jan, that we have tax credits for the working poor people so that they, themselves, can go in the marketplace and own their own account. And yes, so to answer your question, absolutely, we can extend ownership.

*Mr. Mickelson.* So they earn—they keep the time value of their own money.

*The President.* Precisely.

*Mr. Mickelson.* That's the chief weakness of the current system.

*The President.* On a tax-free basis, with the HSAs, by the way.

### *Social Security Reform*

*Mr. Mickelson.* The birth-dearth issue that you made reference to, that's the elephant in the room. We have to address that. Our culture is not—it's not the first time this has happened. I was reading—Teddy Roosevelt addressed this in the early part of the century, dealing with the birth dearth in the last century, and he saw that that generation of Americans were not reproducing themselves. And do you want to hear a really snotty quote from Teddy Roosevelt? He said—

*The President.* I don't have much choice. [Laughter]

*Mr. Mickelson.* Yes, you do. You have the Executive order. [Laughter]

It says, "If you do not believe in your own stock enough to wish to see the stock kept up, then you're not good Americans, and you're not patriots. I, for one, would not mourn your extinction, and in such event, I would welcome the advent of a new race that would take your place, because you will have shown that you are not even fit to cumber the ground."

So that's pretty—that's a bully pulpit.

*The President.* He was a colorful person. [Laughter] That's what I've been doing, using the bully pulpit over the last weeks to remind people we have a problem. And it's easy in politics to ignore problems. It's just easy to say, "Well, there's no problem." But this is a serious problem for younger generations of Americans, and I believe

there is a duty as the President—and fortunately, Senator Grassley believes there's a duty as the chairman of the Finance Committee in the Senate—to take on problems and not pass them on. See, the easy route is to say, "Well, we really don't have a problem." But what's going to end up happening is, in 2017, people are going to show up to work, and they're going to realize their payroll taxes have gone up significantly to pay for promises that the Government has made.

And so I'm saying to people, now is the time to fix it. And I think there's a political price for not getting involved in the process. I think there's a political price for saying, "It's not a problem. I'm going to stay away from the table." So in my State of the Union Address I called upon Members of Congress, both parties, to bring good ideas forward.

*Mr. Mickelson.* Has the third rail moved?

*The President.* I think it has. I think you'd made a mistake not addressing Social Security. I think the American people, when they figure out how significant this problem is—and they're beginning to figure it out—are then going to demand, from both Republicans and Democrats, leadership.

And I am—I love this—I love taking on big issues, because I think that's my job. I think that's why the people of the country put me in office. They expect a President to lead, and they expect a chairman of the Finance Committee to lead as well. And fortunately, the good State of Iowa has got such a man in Charles Grassley. I'm looking forward to working with him on this issue.

*Mr. Mickelson.* Can I expect that in an upcoming press conference that you're attending that you will get up and address the Nation and tell the population of the United States, "Get out there and reproduce, or don't cumber the ground?" [Laughter]

*The President.* No, you can't expect that. [Laughter]

*Mr. Mickelson.* “Get off the—have some more kids or get off the planet.” [Laughter]

*The President.* You can expect me to keep talking about Social Security. [Laughter] You can expect it because now is the time to solve this problem. And I repeat to the grandparents out there that if we do not act, your grandchildren are going to be saddled with a huge burden. This Government has made promises it cannot keep. It’ll keep the promises to those of us over 55 years old, but it has made promises to a lot of younger Americans it cannot keep, and now is the time to solve the problem.

And I’m going to keep working with Members of Congress from both political parties to do our duty. And I like traveling

the country. I like coming to the great State of Iowa—been here quite a few times and may have to come back to keep pounding on the issue, but it is the right thing to do, which is to address problems.

*Mr. Mickelson.* Mr. President, thank you for visiting Iowa.

*The President.* Thanks for coming over.

*Mr. Mickelson.* Thank you for visiting us. Senator Grassley, thank you for gracing us.

*Senator Grassley.* Pleasure to be with you.

*Mr. Mickelson.* Thank you for being here.

NOTE: The interview began at 11:18 a.m. at the Spring House Family Restaurant and was broadcast live on the “Mickelson in the Morning” program.

## Remarks in a Discussion on Strengthening Social Security in Cedar Rapids March 30, 2005

*The President.* Thank you, Mr. Chairman. Thank you all for coming. I want to thank our panelists here. We’re about to discuss Social Security. Before we do, I’ve got some things I want to say.

First, I want to thank the good folks here at Kirkwood Community College for letting us come by. It’s a fantastic facility you got here. I want to thank Mick and Steve and all the faculty here. I believe the community college system is an important part of making sure that our economy continues to grow. And the reason why is, one of the bottlenecks for economic growth is to whether or not we’ve got a workforce that is trained for the jobs of the 21st century. There is no better place to train people for the jobs of the 21st century than the community college system in America. And so I want to thank you for letting us come by.

I want to thank Chuck Grassley. He and I just came from the Spring House. Yes, it was nice. We had a cup of coffee. I

hope you paid, Senator. [Laughter] Well, I forgot your reputation. [Laughter] I guess I had to pick up the check, probably. [Laughter] But I’m proud of the Senator’s leadership on the Finance Committee. This will be the committee in the United States Senate that will start a piece of legislation that will modernize Social Security. He’s committed, as am I, to taking on this big issue. And as I told them at the Spring House, he’s stubborn. I’m going to be stubborn on the issue, and we’re going to keep working this until we get something done. We need to. Now is the time to address tough problems, before it becomes acute for younger generations of Americans. Thank you for understanding that, Chuck. Appreciate you coming.

I want to thank Congressman Jim Leach, the Congressman from this district. I’m looking forward to—Leach is flying back with me. I’m always a better person after having sat down to listen to his wisdom.